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Social Economy as the Genuine Impact-Driven Business Model in Europe

The Social Economy: impact-driven enterprises by design

Social Economy Europe (SEE) welcomes the European Commission's initiative to better understand and support impact-driven businesses, and we positively acknowledge the Commission's efforts to promote business models that generate positive social and environmental outcomes. This reflects a legitimate and timely concern: how to mobilise economic activity to address Europe's social, environmental and territorial challenges.

From this perspective, **the Social Economy (SE) is the most genuine and advanced impact-driven business model in Europe.**

SEE welcomes the interest of the European Commission in Impact-driven models while it underlines concerns regarding legislation coherence to support them. Mainly, three key areas:

1. **Impact by design, not by label:** SE is the most genuine and advanced impact-driven business model as is driven by social objectives over profit, democratic governance and reinvestment obligations. There is proven record they generate structural, territorial, and systemic change as well as social innovation.
2. **Clear frameworks matter:** Weak definitions of impact-driven enterprises risk encouraging green or social washing as well as undermining genuinely impact-driven models and local ecosystems. Against these risks, clear objective indicators must be co-designed by experts (academics, NGOs, social economy representatives, businesses representatives, unions and banks).
3. **Need for coherence and EU opportunity ahead:** the best way to support mission-driven enterprises is coherent and strong legal frameworks (regarding environmental and social matters), as well as institutional coherence within the EU. Integrating the Social Economy into the 28th regime could boost competitiveness, cohesion, and Europe's leadership in mission-driven business.

Social economy enterprises, as recognised in the **Council Recommendation of November 2023**¹ and in the **European Social Economy Action Plan**², are defined by binding principles that place impact and innovation (as defined by the EC) at the core of their business model. These principles include:

- (i) the primacy of people and of a social or environmental purpose over profit;
- (ii) the reinvestment of all or most profits and surpluses to further pursue social or environmental objectives and to serve either the collective interest of members/users or the general interest of society; and
- (iii) democratic or participatory governance structures that ensure accountability, inclusion and long-term commitment to purpose.

These principles are not voluntary labels or marketing claims. They are embedded in **legal forms, governance rules and statutory obligations to achieve social and environmental targets**, and they are formally recognised by European institutions. Furthermore, the UN resolution recognises the role of SE in achieving the 17 SDG, and particularly sustainability and just transition³⁴.

For all these reasons, **social economy enterprises are, by its very basis, impact-driven businesses.**

The need for clear definition and frameworks

When the notion of impact-driven business is not anchored in **clear definitions, binding requirements and accountability mechanisms**, there is a significant risk of dilution and green or social washing.

This is why we call for a clear, robust and developed definition of “impact-driven business”, co-designed by public authorities together with academia, NGOs, social partners and the Social Economy ecosystem. Such a definition must be accompanied by **coherent and enforceable policy frameworks**, rather than voluntary labels or purely market-driven initiatives. In contrast, **voluntary frameworks and labels may consume significant time and resources**, while

¹ https://social-economy-gateway.ec.europa.eu/council-recommendation_en

² https://social-economy-gateway.ec.europa.eu/eu-initiatives/seap_en

³ <https://unsse.org/wp-content/uploads/2023/04/A-77-L60.pdf>

⁴ <https://documents.un.org/doc/undoc/ltd/n24/357/64/pdf/n2435764.pdf>

delivering limited effectiveness. They risk weakening truly impact-driven models instead of strengthening them.

This risk is not theoretical. In practice, loosely defined impact narratives can create unfair competition for Social Economy entities that operate under stricter obligations and lower margins precisely because they internalise social and environmental objectives.

A clear example can be found in the field of **reuse, recycling and upcycling**, where **Work Integration Social Enterprises (WISEs)** address both social inclusion and environmental challenges through labour-intensive, locally rooted activities. These enterprises increasingly face competition from large, profit-maximising platforms that use environmental narratives (reuse and recycling) to promote second-hand markets while offering no comparable social commitments, democratic governance or reinvestment of profits. Consumers sell the clothes that are valuable on these platforms and leave WISEs with textile that is bad quality or overused. Which means these enterprises have reduced income from second-hand clothes selling while dealing with more and more waste. This dynamic not only undermines WISEs economically, but **ultimately reduces their overall social and environmental impact. These “impact-driven platforms” direct impact may be perceived as doing good, but in reality for the sector (reuse and upcycling), for local communities and for the environment, it is not at all as impactful as WISEs.**

This illustrates why impact must be assessed at ecosystem and territorial level, including effects on local value chains and communities. Impact-driven business models are inherently territorial, and this territorial dimension is where Social Economy entities operate and generate lasting impact.

Social innovation versus impact marketing

Social economy enterprises are by nature impact-driven, as the social, and territorial and environmental mission is their *raison d'être*. Furthermore, social economy enterprises are also **key drivers of social innovation in Europe**⁵. Their democratic and participatory governance models, combined with their social, general or collective interest objective, allow them to develop innovative solutions tackling local and strategic needs in areas such as care, housing, work integration,

⁵ https://www.oecd.org/en/publications/social-economy-in-europe_3432de93-en.html

energy, mobility, industry, recycling, economic sovereignty, territorial development and local services.

Many innovations in energy, housing, upcycling and recycling emerged from social economy entities whose mission is to answer societal challenges (including environmental). In the same line, **Governance and accountability are essential to ensure real impact**, and this is precisely where Social Economy models offer a structural advantage through democratic and participatory decision-making. This makes **Social Economy models as the most advanced and genuine impact-driven business model**.

The social economy form of innovation is **structural and systemic**, not incidental. It emerges from governance, binding framework and mission, from the will of responding to local needs. A remarkable example are Microfinance institutions, Cooperative banks, credit cooperatives, Ethical and Alternative Banks⁶; and the projects they allow to develop. The Social Financial Sector as part of the social economy ecosystem generate a high social return on investment. By promoting business creation, job growth, and social inclusion, they reduce reliance on welfare systems, benefiting taxpayers. For instance: Microstart (Belgium microfinance institution) is publishing regularly its Social Return on Investment (SROI). Microstart is funded through public and private sources (for instance InvestEU support) and their latest SROI demonstrates that every euro invested produces €2.53 for the community within two years, thanks to tax and social security contributions and reduced social benefits⁷.

Institutional coherence: a critical concern

While the launch of this consultation is very welcome, we find it hard to reconcile it with the recent **dismantling of the Social Economy Unit within DG GROW**, which weakened the institutional capacity dedicated to the only business and industrial ecosystem that is impact-driven by design.

In order to credibly support impact-driven businesses, the best DG-GROW can do is **actively support the social economy**, starting with **restoring clear institutional responsibility** for this ecosystem. At a minimum, this would require the

⁶ <https://febea.org/wp-content/uploads/2025/12/8-Report-on-ethical-finance-in-Europe.pdf>

⁷ <https://www.google.com/url?q=https://microstart.be/wp-content/uploads/2025/02/rapport-annuel-microstart-2023.pdf&sa=D&source=docs&ust=1770388295369698&usg=AOvWaw0VZq2azq7SIPoHSjU5lfYw>

appointment of a **dedicated reference or contact person for the social economy within DG GROW**, ensuring continuity, expertise and policy coherence.

An “impact-driven business” initiative launched in isolation will be unable to leverage (and may well undermine) the European social economy ecosystem with more than **4.3 million enterprises** and **11.5 million jobs** (around **6.3 %** of the EU workforce). The Social Economy can be a key driver of some of the main initiatives of the European Commission such as the Competitiveness Compass, the EU Start-Up and Scale-Up Strategy, the European Innovation Act or the 28th regime.

Businesses that are concerned with their social and environmental impact need legal frameworks that provide a level playing field, empowering frameworks more than a new label. But all these frames seem to be currently dismantled (CSRD, CSDDD,...). Likewise, public authorities, investors and the market need to easily identify environmentally and socially responsible businesses. Clear objective indicators have to be co-designed by experts (academics, NGOs, social economy representatives, businesses representatives, unions and banks) and must be assessed thoroughly.

Leveraging the 28th Regime to Strengthen the EU Social Economy

The forthcoming 28th regime for company law should include specific provisions to support the EU’s social economy, in line with the Social Economy Action Plan (SEAP), the Transition Pathway, and the Union’s broader competitiveness and cohesion objectives.

The 28th regime aims to provide an optional, EU level legal framework enabling companies to operate seamlessly across the Single Market. While the initiative is currently framed around startups and high growth firms, the same barriers (legal fragmentation, administrative burden, limited cross border mobility) affect social economy entities even more acutely.

Integrating social economy provisions into the 28th regime would:

- Enhance the competitiveness and resilience of the EU social economy
- Support local development and territorial cohesion
- Improve access to finance and markets
- Reduce administrative burden and legal fragmentation

- Strengthen the implementation of SEAP and the Transition Pathway
- Position the EU as a global leader in mission driven economic models

An optional EU Social Economy Statute within the 28th regime would include, inter alia:

- A harmonised definition aligned with SEAP
- Mission lock and reinvestment criteria to achieve statutory social and environmental targets
- Automatic recognition across all Member States
- Reduced legal costs for cross border activity
- Provide a standard EU impact reporting template
- Align with ESRS while ensuring proportionality for small organisations
- Enable digital by default reporting through a single EU portal

Access to finance remains a structural barrier. The regime could:

- Standardise social investment instruments (e.g., patient capital, revenue based finance)
- Enable social investors from any EU country invest across borders,
- Facilitate blended finance (grants/repayable capital) across jurisdictions
- This would unlock capital flows and strengthen the InvestEU social window.

This would address the current patchwork of 27 national definitions and legal forms.

Conclusion: advancing, not diluting

The debate on impact-driven businesses should be rooted in the core values of the European Union enshrined in Article 2 of the Treaty on European Union of ‘*human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights or persons belonging to minorities*’.

Social Economy business model is based upon values fully aligned with the values of the EU.

If the EU seeks to promote impact-economy that strengthens social cohesion, democracy, the environment, and territorial resilience through competitiveness, it must build on models that already embody these values.

Social Economy models demonstrate that economic activity can serve people, communities and territories, while remaining economically sustainable and efficient. They show that impact is not a marketing strategy, but a governance choice, a territorial commitment and a democratic practice.

Any EU approach to impact-driven businesses should therefore build on, reinforce and prioritise the Social Economy; upon clear definitions and supportive frameworks.

About Social Economy Europe

Social Economy Europe (SEE) is the voice of the 2.8 million social economy enterprises and organisations Europe. Created in November 2000, under the name of CEP-CMAF⁸, SEE represents the collective interests of all social economy actors as cooperatives, mutuels, associations, foundations, social enterprises, and other social economy legal forms. Social economy enterprises and organisations of all sizes operate in all socio-economic sectors.

As of 2025, SEE has 28 members:



As the main network representing Social Economy ecosystem at European level, SEE holds the co-secretariat of the Social Economy and Services of General Interest Intergroup of the European Parliament⁹, is represented at the Civil Society Liaison Group of the European Economic and Social Committee, is part of the Commission Expert Group on the Social Economy (GECES), is observer member of the United Nations Taskforce on the Social and Solidarity Economy and supports the work of the Luxembourg Monitoring Committee¹⁰.

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⁸ European Standing Conference of Cooperatives, Mutuels, Associations and Foundations

⁹ European Parliament – Intergroup on the Social Economy and Services of General Interest, official webpage, available at:

<https://www.europarl.europa.eu/meps/en/intergroup/details/7907/Intergroup%20on%20the%20Social%20Economy%20and%20Services%20of%20General%20Interest> (accessed on 10 October 2025).

¹⁰ Social Economy Europe, “Institutions we work with”, official webpage, available at:

<https://www.socialeconomy.eu.org/our-work/institutions-we-work-with/> (accessed on 10 October 2025).